2006 Governor's Conference on Postsecondary Education Trusteeship
Breakfast Roundtable Discussions

Presidential Evaluation

Issue:

In the past, it was not uncommon for university presidents to hold their posts for a decade or longer. But by 1990, the average presidential term had shortened to five years. A number of factors have converged to make the job of hiring, evaluating, and firing a president an even higher stakes enterprise. A perceived shortage of qualified candidates; increased scrutiny of presidential compensation and spending by the IRS and the public; state sunshine laws; and heightened media attention after a string of high-profile presidential meltdowns demand a prudent, carefully considered approach.

Best Practices:

- Develop procedures for setting a president's salary. Today's candidates demand and receive larger compensation packages than ever before. However, new regulations (Section 4958 of the Internal Revenue Code, also called "intermediate sanctions") now allow the IRS to impose a penalty and/or tax on nonprofit CEOs who are overpaid, as well as on board members who approved the salary. Boards should establish an independent committee made up of three to five trustees, who do not have a conflict of interest with the president to periodically review and establish compensation. That committee should seek advice from an independent, outside expert, who bases his or her recommendations on current compensation data from benchmark institutions.
- Review presidential performance annually, with a more thorough evaluation every five years. Boards and incoming presidents should agree on the goals of the presidency and evaluation procedures in advance, beginning with a self-evaluation by the president. Additionally, an outside evaluator should be brought in periodically to review both the president and the board.
- Should termination become necessary, devise a plan with legal and public relations advisers to minimize damage to the university's reputation. Ideally, the president's employment contract should clearly stipulate the terms of a separation agreement. Industry standard includes as much notice as possible, severance pay equal to one or two years' salary, a transition package to provide for moving expenses and outplacement assistance, and a nondisparagement agreement whereby both sides agree to say nothing negative about the other. Top candidates may not be interested in applying if the board is perceived to be unsupportive of the president.

Resources:

From the Association of Governing Boards of Universities and Colleges:

- Atwell, Robert, and Jane V. Wellman. *Presidential Compensation in Higher Education*.
- Ingram, Richard, and William Weary. *Presidential and Board Assessment in Higher Education: Purposes, Policies, and Strategies*. 2000.
- Neff, Charles B., and Barbara Leondar. *Presidential Search: A Guide to the Process of Selecting and Appointing College and University Presidents*.1992.
- Weary, William. *Presidential Search Guidelines and Directory*. 2002.

Sources Consulted:

- Cotton, Raymond D. "Avoiding Trouble with the IRS: How Trustees Can Keep Their President's Compensation from Being Challenged by Tax Auditors." *The Chronicle of Higher Education,* October 8, 2004.
- Cotton, Raymond D. "Firing the President: The Price of the Generous Compensation Being Offered to New Presidents is Tougher Governing Boards." *The Chronicle of Higher Education,* March 11, 2005.
- Hearn, James C., and Michael K. McClendon. "Choose Public College Presidents in the Sunshine, but Know When to Draw Shades." *The Chronicle of Higher Education*, July 9, 2004.
- Martin, James, and James Samels. "When Showing a President the Door, Open it Carefully." *The Chronicle of Higher Education,* December 10, 2004.
- Showalter, Shirley. "When and How to Leave a Presidency: The Last Gift a Thoughtful President Gives is a Graceful Exit." *The Chronicle of Higher Education*, May 6, 2005.